

**Remarks of the Honorable Michael B. Donley  
Secretary of the Air Force**

**Air Force Association Global Warfare Symposium  
Orlando, Florida  
Friday, February 22, 2013**

**Secretary Donley:** Good morning. It's nice to see all these bright shiny faces this morning. What a great day yesterday. Inspirational remarks from General Welsh, Chief Cody. It was a great way to start the conference. And last night I just thought was outstanding, the tribute to AETC and the Airmen involved in that work was a very special evening I thought.

George, thank you again for the warm welcome this morning. It's good to be back here in Orlando.

On behalf of the 690,000 Total Force Airmen that the Chief and I are privileged to represent, I want to thank you and AFA -- President Craig McKinley, Vice President Dick Newton, the entire AFA team for organizing this event and inviting me to participate again this year. AFA is a constant friend to America's Airmen, and a steadfast advocate for America's air power and America's Air Force. We can't thank you enough for this support decade after decade.

Budget uncertainty has led us to significantly scale back or cancel all but the most important strategic planning meetings and engagements. But for our Air Force, this event is an important venue to inform and educate our industry partners, and share the discussions and decisions about the future of the Air Force with the American public as well.

During over three decades now in Washington I don't believe I've ever witnessed a budget process that is as dysfunctional as the one that we're experiencing today. We face a convergence of budget issues that each on their own would present abundant challenges. Each on their own we have dealt with at one time or another in the past decades. But in combination, they make it almost impossible to predict our end state -- where we are headed.

The Budget Control Act of 2011 mandated for the Department of Defense \$487 billion in defense reductions over ten years. But it also had a second part that included additional deficit reduction of a trillion dollars in federal spending -- about half of which would be aligned to national security accounts. And without an agreement on broader deficit reduction, across-the-board sequestration cuts will begin on March 1<sup>st</sup>.

The second big thing on our screen is that we don't yet have a final FY13 budget. So a temporary and soon to expire continuing resolution keeps the government operating as we await the completion of an FY13 appropriation bill.

But even as our current fiscal year's budget remains a moving target, the Pentagon must continue planning and programming for next year and beyond. The FY14 President's budget will be sent to Congress probably in the next few weeks. However, it does not reflect the likely reality of sequestration which is now in front of us. And our FY15 and future planning numbers are now also very suspect.

While uncertainty means that many decisions remain to be made and we don't have all the answers we would like today, our Air Force is committed to being as transparent as possible we can with our Airmen, including our civilian work force and with our industry partners, as we move through this challenging process.

And today, and this morning, I'm going to talk some more about sequestration. What we've been doing since early January to mitigate risks, what we expect to happen if sequestration kicks in on March 1<sup>st</sup> through the end of the fiscal year, and what long-term effects we anticipate if defense accounts are cut by an additional \$500 billion, on top of what's already been done, over the next ten years.

Each day we move closer to the March 1 sequestration deadline set by Congress, the more concerned we become about sequestration's devastating impacts on our military and civilian Airmen, our industry partners, and our military readiness and modernization. Sequestration would drive an additional reduction of a little over \$12 billion in our Air Force budget through the remainder of this fiscal year.

To gauge the magnitude of this cut, our annual budget, including contingency funding--overseas contingency funding--is close to \$140 billion, so this is an additional reduction of about eight percent on top of the cuts that we've already made.

But in addition we estimate that we have about a \$1.8 billion shortfall in that overseas contingency operation account.

Compounding matters further, if sequestration does occur, these cuts would have to be made over the remaining seven months of the fiscal year, and this is especially problematic in our operating accounts which are projected to be 40 percent obligated by March 1<sup>st</sup>. This forces the Air Force to take a roughly 20 percent reduction to the remaining balances during the last seven months of the fiscal year.

Although we've protected people and readiness to date, the impact of sequestration will ultimately force us to consider actions that will impact readiness and our civilian work force as well.

Facing the potential difficulty ahead, we began to take prudent steps in January to mitigate these budget risks. Doing what we could to ensure that these steps would be reversible, potentially recoverable, and to the extent feasible, minimizing harmful

effects on readiness. So in January we initiated a civilian hiring freeze for permanent, temporary and term vacancies. We've also begun to release temporary employees. We don't plan to renew appointments of term employees unless their positions are critical. This looks like it will impact up to about a little less than a thousand temporary employees and a little over two thousand term employees.

We are canceling official travel that is not mission critical. Commanders are reviewing attendance or hosting of conferences and training seminars.

As I mentioned before, we determined that Air Force participation in this AFA conference is important. We also prioritized the regular meeting of our Air Force senior leaders earlier this week at Corona where we finalized plans for implementing sequestration on March 1<sup>st</sup>. We also approved establishing an integrated process team to develop options for what we want our Air Force to look like in 2023 and the choices we will need to consider if sequestration, as currently outlined in the Budget Control Act, is fully implemented over the next ten years.

But some conferences have been canceled outright, such as the Air Force Judge Advocate General's Keystone Conference, the Conference for Program Executive Officers, a space conference we were asked to host, and we will likely cancel or curtail attendance at more conferences in the future.

Since mid-January these initial decisions -- reducing attendance or conference cancellation -- have generated a cost-avoidance of almost \$4 million at the Headquarters Air Force level. Non-mission critical TDYs are being cut back or canceled. Some canceled travel, such as for inspections, will increase risk for unit readiness immediately, and some of that will compound over time. Delayed professional military education and mission readiness training, the TDYs that support all that work, could delay the promotions of Airmen who rely on that training as part of their preparation for higher rank. It could lead to a loss of certification for Airmen in technical specialties that require regular training, such as firefighters or EOD specialists.

We reduced our major command, and for those combatant commands for which we're the executive agent, we've reduced their top line O&M budgets by approximately 10 percent. We took that action at the beginning of the year to try to get ahead of the challenges we now face. This has included a reduction of all flying that was not directly related to readiness, such as air shows; studies that are not congressional directed or mission critical are under review now for cancellation; and commands are reviewing their IT refresh and their network support contracts, limiting supply purchases and stopping whatever procurement purchases that are deemed not mission essential. These actions will be particularly detrimental to small business contractors who rely heavily on purchases of equipment and services at the local level.

We've also deferred non-emergency facility sustainment, restoration and modernization projects. We project this will yield about a 50 percent reduction in spending, but it will also increase our infrastructure risks as facilities degrade and create the need for repairs, future repairs that could easily be many times more costly if we don't take care of them now.

To be clear, these near-term actions generate reductions, we think probably a little less than \$3 billion, which falls significantly short of what we need to accommodate if we have sequestration.

While we will protect some areas, for example military personnel accounts as you know are exempted, and we intend to support continuing ongoing combat operations, support to our wounded warriors obviously, to the extent possible, programs associated with the new defense strategic guidance, family support. Without a budget deficit reduction agreement by the first of March sequestration will have immediate and negative impacts on Air Force personnel, our readiness, force structure, and modernization.

The advent of sequestration would compel us to take more far-reaching actions.

On Wednesday, Secretary Panetta formally notified Congress that DoD's civilian work force could face potential furloughs in late April. This may impact up to 180,000 civilian Airmen for up to 22 working days resulting in a loss of almost 32 million man hours of productivity and reductions of approximately \$1 billion in salaries at Air Force locations around the world.

Our civilian Airmen are highly valued and integral to our combat support capabilities. But reductions of this magnitude this late in the fiscal year force us to allocate a portion of the reduction to civilian pay, which comprises 26 percent of our operating budget. Protecting civilian salary accounts would result in even greater devastation to readiness which will already experience severe degradation the beginning of May. This action will risk mission accomplishments in our units that are largely dependent on a civilian work force and will result in a 20 percent loss in pay for our civilian Airmen over a six month period.

This is not a course that we would choose. We recognize that if furloughs occur there will be real impacts to individual and family incomes. It would also have broad local impacts as more than 96 percent of Air Force civilians subject to furlough work outside of the Washington, D.C., area. We're deeply concerned for our civilian Airmen and the mission and we'll keep working to prevent these actions which would decimate morale and break faith with their service to our Air Force.

We'd also face a reduction in flying hours of as much as 18 percent. Reductions of about 200,000 flying hours would impact our theater security packages, our continuous bomber presence missions, as well as many Air Force joint and international partner exercises, including Red Flags.

While prioritized missions such as wartime operations and nuclear deterrence will be protected, those combat units not expected to deploy--the majority of our fighter and bomber units--will only continue to fly until depletion of their flying hour funds, which could occur as early as mid-May.

Our mobility units will experience training degradations in air drop and air refueling, with some unit O&M funds potentially running out in July. The Army would see a reduction in our air drop training jumps that we can support, and our ability to provide support to interagency and congressional senior leader travel would also decrease.

Fewer flying hours will also lead to cancelation of some advanced training and weapons instructor courses. Lost training currencies from unit stand downs could require as much as six months to a year to return to current, yet sub-optimal, readiness levels, with desired flying proficiency for crew members taking even longer to recover.

Due to reduced flying hours we may also be forced to stand down initial qualification flight training, which we are trying to protect, as early as September.

These impacts to readiness occur at a time when the Chief and I have been striving to reverse a ten-year declining trend in this critical area. Grounding combat units and the associated reduced unit and crew mission readiness takes six months or more to reverse. Curtailing pilot training could result in pilot shortfalls that take over a decade to remedy.

We'll also have to reduce weapon system sustainment by as much as 18 percent. This would push aircraft availability and mission capable rates significantly below the standards we seek. These depot delays would affect over 30 aircraft types and weapon systems across our total force, and could require the grounding of some affected aircraft.

The deferments result in disruption to production lines, the degradation of work force productivity and proficiency, and they'll drive up future sustainment costs for our Air Force. And in this case we have a double whammy – of both reduced inductions into depot maintenance and the furlough potentially of the depot maintenance work force. The combined effect of furloughs and reduced work load will have lasting effects from which it may take several years to recover.

We'll also see a delay in the modernization of our aging fleets due to disruptions in our acquisition programs. Sequestration if applied at the program project and activity level will impact every one of the Air Force's investment programs, ultimately resulting in program delays or cancelations, certainly increased costs, and delaying much-needed capability to the warfighter.

For investment programs we're focused on the combined effects of sequestration which reduces prior year and current year accounts, and the next continuing resolution which may or may not prevent the program changes and in some cases the program growth that's requested in the President's FY13 budget.

Sequestration, combined with a year-long continuing resolution, would for example force the realignment of significant funding across our investment accounts. For example, we would need to realign approximately \$1 billion from other Air Force priorities in order to preserve the current KC-46 contract. Due to the limits of the continuing resolution and additional reductions caused by sequestration, the F-35 will see reductions of an estimated three aircraft from the requested 19 in FY13.

Finally, the combined effects of sequestration and the continuing resolution also put at risk our efficient space procurement strategy for programs like SBIRS and AEHF, potentially preventing the Air Force from achieving \$1 billion targeted in procurement savings in those programs.

Just as the potential of sequestration and the continuing resolution affect the Air Force, this situation also impacts the industrial base suppliers supporting us and on whom we depend.

While disruptions to the detailed planning and execution of our complex investment and modernization programs, like the F-35 and the KC-46, would be significant, the impacts to the industrial base grow in magnitude as resource reductions ripple through the network of companies that support our prime contractors and our subcontractors that support these programs.

Some contractors have lines of business or operations customers beyond the U.S. military, which may allow them to weather the vagaries of the fluctuating military budgets. But we're concerned about the capacity of smaller or more specialized companies to successfully negotiate this challenging environment. Some may decide to close their doors; others may decide to stop competing for Air Force business or to just do commercial work, no longer perhaps maintain the technical expertise and status as qualified DoD sources.

Next to our Total Force Air Force, our DoD military -- active, Guard, Reserve and civilian work force -- there is no more direct contribution to our military capability than

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that which comes from our industrial partners. What many of you do in industry is important to us and to our international partners. It makes a direct contribution to our capabilities.

For those that are providing on-site support and contract services to support our Air Force work force, we'll be trying to balance our resources and our work load to ensure, where possible, a rough parity in the impacts to our organic Air Force civilian work force and contracting work forces.

Looking ahead, we will continue to balance competing defense needs among the size of our force structure, today's readiness and modernization for the future. The Chief and I have talked about these priorities in the past.

More than two decades of war and other operations have taken a toll, straining our Airmen and their families, reducing opportunities for training, and taking a toll on equipment as well. Today we have a critical responsibility to rebuild and restore full spectrum readiness and training for a force that will be prepared for the future, including any unexpected contingencies that might arise.

From previous drawdowns we have learned hard lessons that during periods of fiscal austerity tough decisions have to be made to avoid a hollow military -- one that looks good on paper but has more units and equipment than it can support, lacks the resources to adequately man, train and maintain them, or to keep up with advancing technologies.

To avoid the perils of a hollow force, we believe the best path forward is to become smaller in order to protect the high quality and ready force that will improve in capability over time. But we can also see that if no changes are made to the sequester assumptions in the Budget Control Act, reductions averaging \$50 billion per year for 10 years, will have deep and detrimental impacts on all aspects of our defense enterprise. We would be a substantially smaller Air Force and the modernization we so badly need would likely be delayed even further.

At a recent media roundtable Secretary Panetta and General Dempsey previewed a few of the highlights of the President's upcoming defense budget for FY14, a budget that does not reflect the lower sequester totals we may indeed face. Among the proposals is a request for another round of base closures and realignments for FY15. We continue to believe BRAC authority is a tool that we urgently need to allow DoD to divest excess infrastructure and refocus resources to meet other critical needs including readiness and modernization.

Given the challenges of sequestration it is even more important for Congress to give DoD the BRAC and other authorities and flexibilities, to pursue health care reforms

and other measures that would help us control costs and improve efficiency in the defense enterprise.

In the meantime our Air Force continues efforts to maximize the strength of our Total Force, and we are pleased with the progress that is being made on this front. Our active, Reserve and Guard components are increasingly integrated -- training, deploying and conducting a full range of missions together as one Air Force. And we're committed to ensuring that our active and reserve component mix correctly balances the strengths of each component, meeting our strategic requirements and our fiscal demands as well.

We've worked through the active component and reserve component force structure challenges of last year to produce a Total Force Proposal, a compromise which Congress passed in the FY13 National Defense Authorization Act, unfreezing previously approved force structure changes. We will soon announce our decisions on inter-theater airlift force structure, which are based on recommendations of an Inter-Theater Airlift Working Group. And in a related move, the Chief and I recently established a Total Force Task Force to provide strategic options on the appropriate total force capabilities mix to meet current and future Air Force requirements. The results of this task force will inform our strategic planning and programming for FY15 and beyond, and it will also serve as a resource to the congressionally directed National Commission on the structure of the Air Force that will be examining Total Force issues later this year.

We've also made strides in our inter-governmental relationships. Next week the Air Force will participate in DoD's latest meeting with the Council of Governors, where we hope to approve a proposal that will improve and formalize a structured consultative process between the Department of Defense and the states.

Along with the other services, the Air Force will work with our defense and national leadership to fine-tune our plans and programs as we confront both the dynamic strategic and security environment and the nation's fiscal challenges. We will adjust, we will compromise as necessary along the way; but we will need broad consensus with Congress on the way forward to avoid a hollow military. This must be our priority.

Sequestration is a threat to our national security which will undermine readiness in the short term, likely drive us to be smaller than we should be, and endanger modernization in the long term. The ongoing uncertainty plays havoc with our planning processes. It makes it difficult to invest and finalize contracts, to maintain infrastructure and essential military equipment, and to take care of our people.



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Our Airmen and our industry partners deserve fair treatment and every effort will be made to minimize the impact of sequestration if it indeed occurs. We'll do our utmost to keep stakeholders informed in the days ahead as we encourage policy-makers to take the threat of sequestration off the table and move toward a budget agreement that will stabilize defense planning for the remainder of FY13 and beyond.

There are some tough messages in all this, but I want to tell you -- and I will tell you confidently -- that this glass is more than half full. This glass is more than half full.

I took yesterday afternoon as an opportunity to visit Patrick Air Force Base over at Cocoa Beach. What an outstanding group of Airmen. The 45th Space Wing focused on their mission of launching rockets and putting satellites in orbit. A rich manifest, up to 14 potential launches this year; they are focused on their mission. They host interagency partners. It is a Total Force operation. The 920th Rescue Wing there, the Pedros, who are getting some great attention, by the way, on the National Geographic Channel, which was noted yesterday. That work force has many civilians, Air Force civilians and many contractors supporting that work -- it is a microcosm of our United States Air Force. Active duty and reserve components, civilian Airmen, contractors, all working together to get the nation's business done. My message to them was that we need them to continue to focus on that mission which they do so well, on behalf of our Air Force and on behalf of our nation.

As we move through these challenges, the DoD, the Air Force leadership team will help navigate this space. We came into this situation as the world's finest Air Force. It is our intention to come out of this as the world's finest Air Force, and we will.

If we focus on giving these Airmen tools that they need to do their job, a job which our Air Force and our nation has asked them to do, we'll be just fine. These young Airmen have signed up for a lifetime of service to our Air Force and our nation, and it's a remarkable thing. I am inspired every time I meet them, each one, collectively, new generations of Americans stepping forward to do this work. If we back them, they will back our Air Force and they will help us get through these challenging times.

To AFA, let me thank you again for hosting this symposium and for all you do to educate and inform America about the issues confronting our Air Force and our nation. Your tireless efforts help ensure that the air, space and cyber capabilities of the United States Air Force, powered by Airmen, fueled by innovation, are ready to defend America whatever the challenges ahead.

It's an honor to serve with all of you in the world's finest Air Force. Thank you.

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